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British Affairs

A QUARTERLY REVIEW

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SEPTEMBER, 1957

Britain Looks Ahead: by Sir Harold Caccia
Prosperity and Inflation: A Proposal
The Free Trade Area: Questions and Answers
The West Indies: A New Federation
Chemicals of the 1960's
Progress in the Coal Industry
Books and Articles

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CONTENTS

Page
BRITAIN LOOKS AHEAD by Sir Harold Caccia 97
PROSPERITY AND INFLATION: A DIAGNOSIS AND A PROPOSAL 103
THE FREE TRADE AREA: SOME QUESTIONS AND ANSWERS 108
THE WEST INDIES: A NEW FEDERATION 114
FUTURE FOR MILITARY AIRCRAFT 121
INDUSTRY'S NEW MATERIALS — CHEMICALS OF THE 1960's by the Scientific Correspondent of the *Financial Times* 125
PROGRESS IN BRITAIN'S COAL INDUSTRY 127
AIMS AND METHODS OF THE NEW RENT ACT 132
BOOKS AND ARTICLES 134

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"In industry—innovation and initiative; in trade—expansion; in defense—realism; in Commonwealth and international affairs —progress in the search for peace with justice . . ."

Britain Looks Ahead

by

SIR HAROLD CACCIA, K.C.M.G.,

British Ambassador to the United States[*]

It comes as a surprise these days to a British visitor to the United States to discover how often he has to explain that we have a future at all. But in fact we are a forward-looking people, and in our busy lives think much more about our future than our past. Because we have been in business for rather a long time, we are often thought to be declining, to be too conservative, and to be suffering from the incurable disease of old age.

There have been people in every generation, sometimes British people, who have predicted the downfall of Britain. Our forefathers heard such talk after the American half of our Empire broke away to form the United States; their children heard it in the period of depression which followed the Napoleonic wars: their grandchildren heard it said after the First World War and we hear it after the Second World War. Why then do people go on repeating this fallacy? It is easy to explain why our enemies, who would like to wish us out of existence anyway, have made such predictions, from Philip II of Spain to Hitler. But why our friends?

Perhaps it is because it is plain for all to see that the natural resources of our small island off the coast of Western Europe are in themselves inadequate to support our people and our industry, quite apart from the responsibilities and commitments we have undertaken in every quarter of the globe. But that has been true for a long time. It is the challenge which has moulded the character of our people.

There is also a new factor. Our financial resources today are not the same as in the period before World War II. In 1939 our books were about in balance. We had assets and reserves to match our overseas liabilities and to finance a large part of the world's trade. Before World War II was over we had shot off a large part of our reserves, disposed of nearly $5 bil-

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[*] Abridged from a speech delivered in Chicago on June 6th, 1957.

BRITAIN'S ECONOMIC LOSSES IN WORLD WAR II
(expressed in U.S. $)

Destruction of property at home (including factories, and 4 million homes destroyed or damaged)	$5.8 billion
Internal disinvestment	3.6 billion
Loss of shipping and cargoes	3.0 billion
Sale of external capital assets (sum realized)	4.5 billion
Increase in external liabilities	11.6 billion
Decrease in gold and dollar reserves, etc.	0.7 billion
Total Loss, 1939-45	$29.2 billion

Note: These figures are taken from the White Paper, Cmd. 6707, December, 1945. The round total of about $30 billion was estimated to be about one quarter of Britain's total prewar national wealth.

lion of overseas investment and lost about one quarter of the country's prewar wealth. The result was victory, and the money was well spent to achieve it. But it was spent, and we found ourselves left with external liabilities of about 14 billion dollars while our reserves were no more than around 2½ billion dollars. Our economy had been converted to war purposes and we had in effect to start again.

How have we met this present-day economic and financial challenge and yet supported the immense burdens required by the Cold War? I hope no one will accuse me of minimising the importance of United States economic aid during the period of the Marshall Plan when I say that primarily it has been the austerity, the fortitude, the hard work, the dynamism, the resilience and ingenuity of a people who, if they are aged, are the youngest aged people that have ever been seen. This may be our second youth, but it is certainly not our second childhood.

Let us look at the facts and figures. In industry and trade this is an era of innovation and expansion. Militarily it is the age of the nuclear weapon. Politically it is an age of surging nationalism. What then has been the British record in the fields of industry and trade; of defense and of political ideas?

INVENTION AND INDUSTRIAL EXPANSION

The history books describe early British achievements in industrial invention, research and development. There is the steam engine, the spinning frame and so on. But do you realize how many inventions which are the pride of the mid-twentieth century are British; that British scientists discovered the atomic nucleus, penicillin, vitamins and silicones; that Britain pioneered in the invention of the radio valve, radar and the jet engine. Many of the planes in the U.S. Air Force are flying with engines that are designed or adapted from British designs. The U.S. Navy uses the angled

U.K. ECONOMY, 1938 - 1956

	1938	1946	1954	1956
Industrial Output (1948=100)	85-90	87	130	137
Imports (f.o.b.) in £ million	835	1,082	3,006	3,462
Exports (f.o.b.) in £ million	533	917	2,820	3,403
"Invisibles" in £ million	+232	—133	+364	+269
Balance of Payments in £ million	—70	—298	+228	+233

deck, mirror landing devices and steam catapults on aircraft carriers — all developed from British inventions.

"Know-how" and adaptability to new techniques of production is an American speciality. But allow me to claim credit for some notable British achievements in this field. Between 1947 and 1956 the United States steel output rose by about one-third. In the same period British steel ouptut rose by two-thirds. Between 1947 and 1955 United States vehicle production rose 90%. In the same years British production increased by twice this amount.

We are the world's largest exporter of generators, of boilers, of textile machinery and of radioactive isotopes. One British firm alone holds over half of the free world's orders for civil turbo-jet and turbo-propeller aero engines. Another British aero engine maker has developed the most powerful jet engine in the world—the *Gyron*. Britain, with the U.S.A., leads the world in the development of nuclear power plants. Between 1947 and 1956 electric power production in Britain was doubled, and will be doubled again in the next ten years.

In conclusion let me throw in for good measure the fact that we hold the world's official air, land and water speed records.

FOREIGN TRADE

Now let me say a word about international trade. For us foreign trade is not just another item in a profit and loss account. As a nation we must import and export or die. This is not a matter of national ambition, prestige or imperialism. The facts of economic life are such that we are either a great trading nation or we cannot survive at all.

Let me explain why this is so. We have to import half of our food and we have therefore to manufacture and sell abroad the necessary goods to pay for this. That is, however, not the end of our current economic life cycle. We do not produce most of the raw materials we need to make these goods to export. We therefore have to import these raw materials, and pay for them with more exports. Broadly speaking, to increase our national product by say 100 dollars we have to increase our imports by 25 dollars. That is why we must have a surplus to that extent on our trading account. But even that is not enough. We need a further surplus to pay for our investment overseas, another surplus for the interest and repayment of the debts, and yet another surplus to enable us to build up reserves for our operation as a banker providing the currency, sterling, in which more than half of the free world's trade is conducted. We are thus a manufacturing nation, a trading nation and a banker. Each function is dependent upon the other, but some years we are more successful in one field than in another.

Thus in 1956 there was a crisis over the state of our reserves as bankers and we had to draw heavily on the International Monetary Fund to protect sterling. But this did not prevent us breaking records as manufacturers and traders.

All this adds up to the need for exports, and more exports; and, to this end our people have worked hard since the war and with substantial success. Between 1947 and 1956 British exports rose 177%. In 1957 our exports have touched even higher levels.

DEFENSE POLICY

Now for Defense. If I had to sum up in one word the most characteristic feature of modern Britain, it would be realism: realism in Britain's adjustment to a world changing more rapidly than at any time in history: realism in making the hard decision, and sometimes the hard sacrifices required to meet the challenge of these changes.

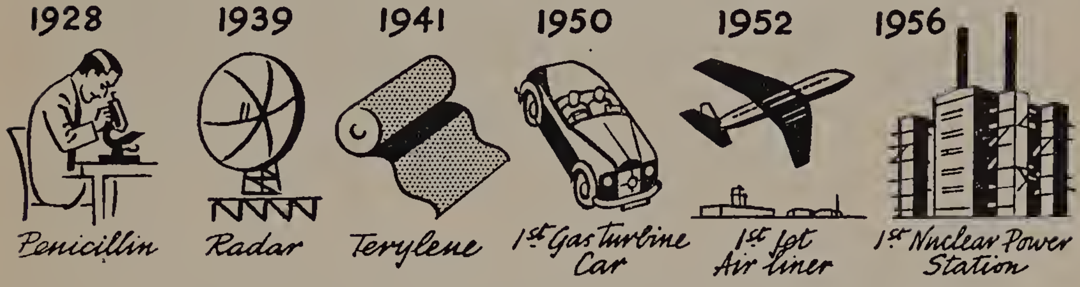
Over the past five years our defense effort has absorbed 10% of our gross national product. At the present time some 7% of our working population are either in the armed services or supporting them. One-eighth of the output of the metal-using industries, upon which Britain's export trade largely depends, is today devoted to defense.

The burden on our economy, both in manpower and in cash expenditure, eventually reached the point where it was endangering the financial and economic security of the country. It became necessary to adjust our military expenditure to the need to maintain that strength, to start cutting our military coat to our economic cloth. This was vital because in any real test no military force can be stronger than the economy upon which it is based.

Meanwhile scientific advances and rapid changes in military technology were making obsolete not only many of the conventional weapons but the whole basis of our military planning. We saw that it was no good preparing to re-win the last war. We realized that we would have to shape our forces and regroup our resources to meet entirely new types of war.

Our response to this dual economic and military challenge was realistic

SOME BRITISH ACHIEVEMENTS IN RECENT YEARS



and, I believe, courageous. In an unusually blunt White Paper, the Government presented Parliament with a Five-Year Defense Plan. The program was not a series of meat-axe cuts in our military budget, but a careful program involving "the biggest change in military policy ever made in normal times."*

We realized that we must be ready for two types of war: world-wide and local. It was clear that in a world-wide war fought with nuclear weapons, we would not have the time to mobilize a vast citizen army. It was also clear that a local or bush-fire war would not require a vast citizen force. In such a war we would need a strategic reserve which could be quickly deployed by air and sea to trouble spots anywhere in the world. Both considerations added up to a professional force with concentrated fire power. We decided therefore to establish a completely professional and, in terms of manpower, smaller force which could be speedily available to meet either threat. That is what we are going to build up over the next five years.

As for the nuclear threat, the British Government in April told our people with complete frankness that in our island, within potential rocket range of Communist bases, *"there is at present no means of providing adequate protection for the people in this country against the consequences of an attack with nuclear weapons."* The anti-missile missile may change this. But today we must concentrate on preventing war by deterring aggression. We are therefore going to concentrate our fighting forces on the power to retaliate with nuclear weapons against an aggressor and on the defense of those bases in Britain from which the deterrent would be launched.

In other words we have realistically decided that if we cannot defend the whole of Britain, we shall defend the instrument of retaliation. That was a hard decision to make, but the British Government have made it. They have explained it frankly, and the British people have responded to this plain speaking without fear or favor.

**For a summary of the White Paper, see British Affairs, June 1957, pp. 49-55.*

I will not go into further detail about this new and revolutionary program. Let me only say that in the long run I believe it will strengthen the alliance by which we jointly seek to deter aggression and prevent war.

EMPIRE AND COMMONWEALTH

Finally, let me talk frankly about a subject which some of you might expect me to touch upon only lightly if at all: the British Empire and the Commonwealth of Nations.

For a little more than a century, pioneers have been trekking from the East Coast of America to the Middle West and on beyond by every means of conveyance known to man. Throughout the same period, and for even longer, men and women have been setting out from our islands to open up other lands overseas in Canada, Australia, Africa and elsewhere.

You have built in these prairies a great empire at the heart of a great nation. It has become the most powerful nation in the world. Our efforts have resulted in new and independent countries on every continent, dedicated like yours to principles of freedom, equality, order and justice. Some people seem to think that expansion over the high seas is in some way more imperialistic, reprehensible and reactionary than expansion over land. We do not expect you to be ashamed of your expansion overland, and I am sure you do not expect us to be ashamed of our expansion overseas.

More, I would say that we are proud that, confronted by the challenge of nationalism, we have evolved a Commonwealth of nations in which peoples of many different creeds, races and origins find inspiration and strength.

And one final point on this question of imperialism. Since the end of World War II, one-half of the world's population has changed its form of government. To state it simply, this change has involved two things. First, the subjugation by Communist rule of one-quarter of the human race. Secondly, the promotion under British guidance of another quarter of the human race to free, independent and sovereign self-government. If you wish to strike at the imperialist in the world today, I leave it to you to decide where you should start.

I hope I have conveyed to you the mood of Britain today. In industry it is one of innovation and initiative; in trade, one of expansion; in defense one of realism; in Commonwealth and international affairs, one of progress in our search for a world in which peace with justice will prevail.

Britain, like other countries with full employment and rising incomes, has to be on guard against the ill effects of inflation. The Government has announced the establishment of an impartial fact-finding Council to help analyze the position.

Prosperity and Inflation: A Diagnosis and A Proposal

The House of Commons debated Britain's economic situation on July 25th, 1957. In opening the debate, Mr. Harold Wilson, an Opposition leader, dealt mainly with the threat of inflation at home, and offered a 4-point policy which, he said, would be necessary "to ensure the economic survival of our country." His four measures were:

(i) The adoption of some physical controls (including building licensing) and some positive measures (e.g. tax incentives, and use of capacity in Government factories) to stimulate production;
(ii) A new "Budget strategy," including a capital gains tax.
(iii) A new monetary policy, with perhaps a two-tier interest rate system.
(iv) Voluntary, or perhaps statutory, price control.

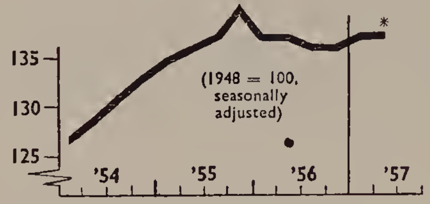
SUCCESS IN BALANCE OF PAYMENTS

In reply, the Chancellor of the Exchequer, Mr. Peter Thorneycroft, said that he would put the problem into the right perspective. He made no apology, he said, for having drawn attention to the dangers of inflation; but it was important to understand that the current problem was not like that in 1951, "when internal demand was holding back exports and sucking in imports." The fact was that the external outlook was very good:

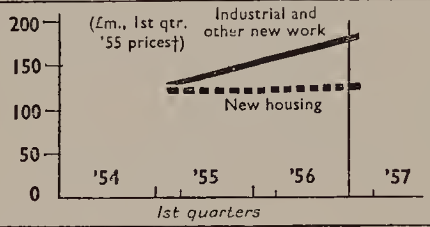
> "Exports are up, £85 million higher in the first half of 1957 than in the first half of 1956, and they have been rising faster than the imports. The reserves are up, an increase of £88 million in the first six months of this year. Invisible earnings are moving upwards and production is going up. At one time, it was thought that on external current account from mid-1956 to mid-1957 we might just about break even. Now, we expect, we will prove to have had a surplus over the period of £125 million or more. There is no reason whatever why in the coming year we should not do better still."

All these benefits, said Mr. Thorneycroft, were against the background of prosperity in Britain probably greater than ever before. The cause for

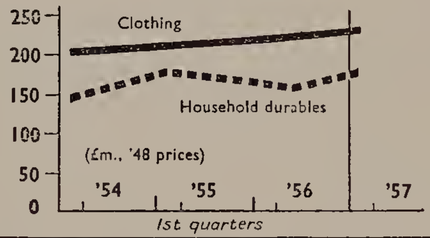
Tables on Britain's Economy



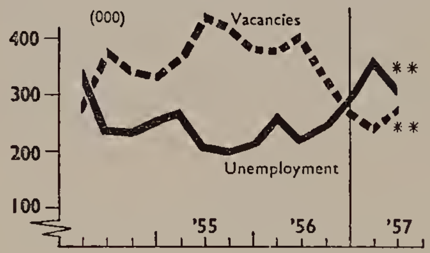
Total **output** in industry looks like rising again



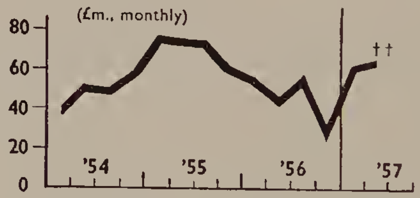
with house **building** steady, industrial building is still increasing



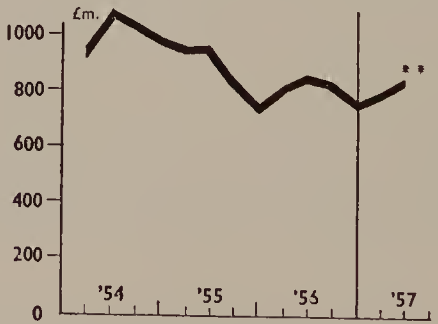
Clothing **consumption** continues its steady rise, household durables have fully recovered



the **labour** market has been moving seasonally



The **trade gap** has widened (with exports still rising)



The **reserves** are low but—with special additions—are rising again

†† Apr. May * Apr. ** end-May

In the first half of 1957 both imports and total exports were 6 per cent above a year earlier concern was that these great advances had been accompanied by a steady depreciation in the *internal* value of the currency. The same process had gone on in the U.S.A., France, Italy, Sweden and many other countries, but though this helped to preserve the relative *external* value of the pound, it was no excuse for failing to tackle the problem.

If inflation was to be checked, the first essential was to have widespread recognition, and a readiness to accept the discomfort of any cures that may be involved:

> "Too many people have seen the benefits of inflation without observing any of its dangers, or its disadvantages. Wage earners have enjoyed their wage increases and employers have enjoyed their bigger profits, but many have regarded these things as manna from heaven and as having no connection with the fall in the value of money, which they dislike as much as anybody else."

SUGGESTED "CURES"

Mr. Thorneycroft examined, and dismissed, some of the "cures" sometimes proposed. Import restrictions, he said, would be irrelevant and harmful in the context of inflation. Controls in general tended to deal not with the causes of inflation but with their effects.

The idea of "a little Budget" technique — cuts in purchasing power through taxes, etc.— was not appropriate to deal with what was mainly a "wage-cost" inflation. Similarly he did not accept the views of "the tranquilliser school"— that one could control inflation quite painlessly so far as the majority was concerned by some such device as limiting the note issue or taxing the rich. There was, in fact, no simple cure, said Mr. Thorneycroft. Policy demanded "a combined operation": the Government, the private employers, the trade unions and the nationalized industries all had a part to play.

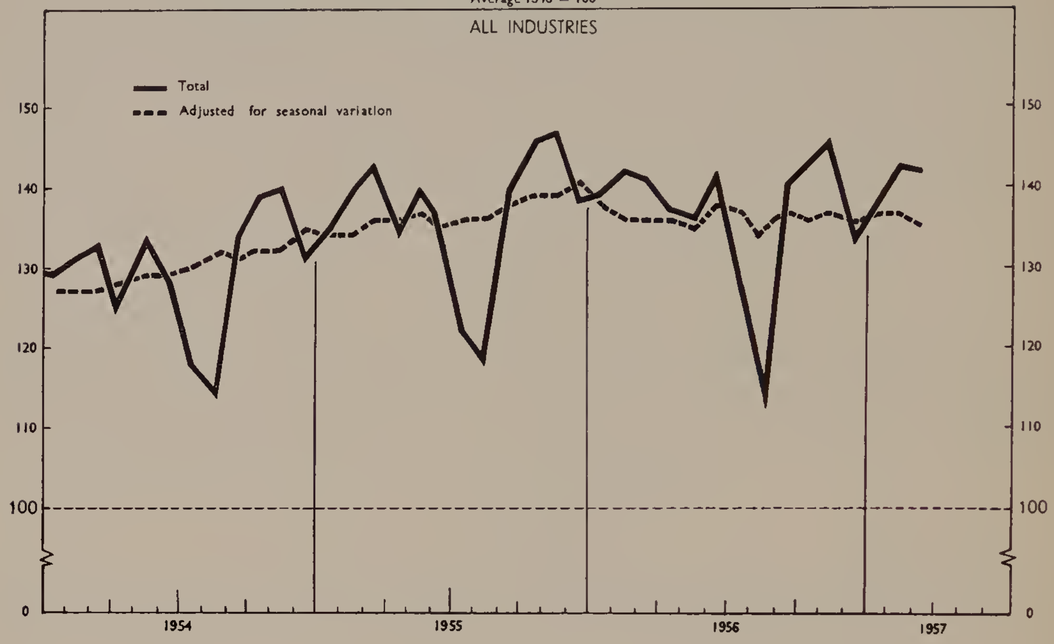
The Government had acted firmly through the Budget in April by budgeting for a surplus of £460 million, "adequate to cover all the investment in the public sector by taxation and small savings without any addition to the floating debt."

On the limits to private investment through "the credit squeeze," Mr. Thorneycroft said that this had been successful and must go on. But he opposed any cure through organizing large-scale deflation:

> "We could no doubt organize our own slump and force up unemployment to a figure needed to end wage claims. But to do all these things would be a drastic departure from the object for which all of us on all sides of the House have been struggling since the war. What we have been seeking is full employment in a free society, and it would be a sorry reflection on our society if in search of stable prices we could only find them by throwing away the full employment or by throwing away the freedom."

INDEX OF INDUSTRIAL PRODUCTION

Average 1948 = 100



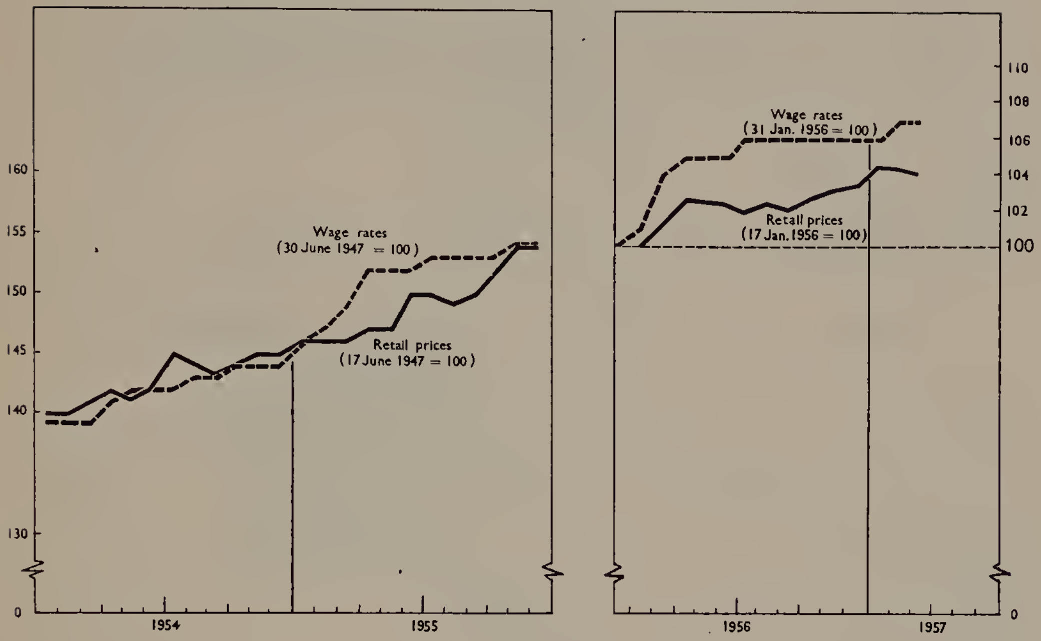
The central problem, said Mr. Thorneycroft, was the question of incomes and prices. In 1956 production rose very slightly, but wages and salaries rose by 9%, and profits by 3%. Of the £ 900 million rise in wages and salaries, a little over £100 million was taken in taxes, leaving between £700 and £800 million extra spending power; of the £100 million rise in profits, half was undistributed and a quarter taken in taxes, leaving only £25 million extra spending power.

Wage increases had led to higher prices, and now in turn further wage increases were being sought. Wages were central to the problem, but the Government did not want to fix or freeze them:

> "Wages should move up in an expanding economy. Men should share the benefits of their increased production, and it is certainly not inflationary for them to do so. What has gone wrong is that we have sought to pay wages out of relation to production, and if we are to have any hope of dealing with inflation we must stop doing it."

These matters of wages, prices and profits were controversial, said Mr. Thorneycroft. No one would readily accept what anybody else said about them; but the Government now proposed to establish an independent and impartial "Council on Prices, Productivity and Incomes," with the following terms of reference:

RETAIL PRICES AND WAGE RATES



'Having regard to the desirability of full employment and increasing standards of life based on expanding production and reasonable stability of prices, to keep under review changes in prices, productivity and the level of incomes (including wages, salaries and profits) and to report thereon from time to time.'

The Government's hope was that this Council would create a fuller appreciation of the facts, both in the public at large and amongst those more immediately concerned with prices and cost matters. It would not arbitrate, and it would not be a wage court:

"It will be free to comment on general problems inside the scope of the terms of reference, such as the effect of increased costs and prices on the competitiveness of United Kingdom exports, and on the ability of the United Kingdom to pay its way abroad; and on the relationship between incomes, profits, investment and productivity. I repeat, we do not put this forward as a panacea, but I am confident that the Council has a useful role to play, and I am also confident that all those who wish to tackle inflation will co-operate with it and will pay heed to its reports."

The membership of the new Council was announced on August 12th. The Chairman is Lord Cohen, a Justice of Appeal, who is a great expert on company law and was the first Chairman of the Royal Commission on the Taxation of Profits and Income. The other two members are Sir Dennis Robertson, late Professor of Economics at Cambridge, and Sir Harold Howitt, a distinguished accountant who was a member of the recent courts of enquiry on the engineering disputes. The Council will have no compulsory powers to call witnesses, and will be free to report to the country as it sees fit, with no responsibility to any Minister.

Britain's strong support of an "Industrial Free Trade Area" in Western Europe was described in the March issue of "British Affairs," Here are some further points on how it would work.

The Free Trade Area — Some Questions and Answers

In June 1957, the British Government published a booklet designed to explain in popular terms to the people of Britain what was the proposal for an Industrial Free Trade Area in Western Europe, and why it is in Britain's interest to pursue this idea.*

The first section of the booklet begins by describing the work of the six European countries (Belgium, France, Germany, Italy, Luxembourg and the Netherlands) for a full Customs Union. These six countries have grouped themselve into a "European Economic Community" (EEC). They already operate the European Coal and Steel Community (ECSC). Three of them—Belgium, Luxembourg and the Netherlands—are already joined in a Customs Union, and the remaining three are planning to join in forming a common market for the 163 million persons in the six countries. They are also planning wider measures than the abolition of tariffs between themselves, working together for the pooling of resources to help under-developed areas, for the re-training and transfer of manpower etc.

Britain, says the booklet, has three choices. She can seek to join the EEC as a full member, or stay outside altogether, or find some way of associating with it short of full membership.

The first two are not real possibilities. She does not wish to be excluded from what would be a very profitable market; yet she cannot join fully because of her Commonwealth responsibilities. The third choice is that "Britain and other European countries could try to join with the EEC in a loose association: an industrial Free Trade Area," and this is the course recommended by the Government.

This course, says the booklet, gets over Britain's difficulties. First, by excluding foodstuffs, it would mean that Britain could keep nearly all her Commonwealth preferences intact. Second, by having a "Free Trade Area" instead of a Customs Union, it would allow member-countries to

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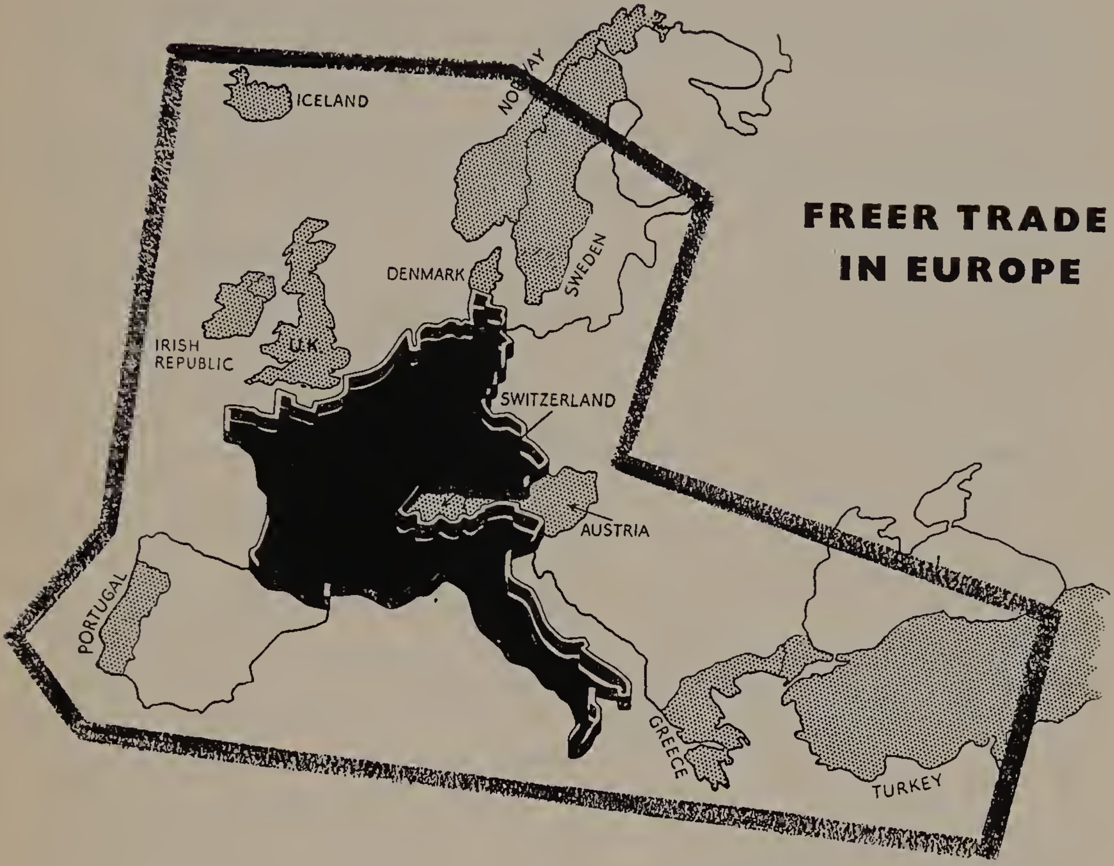
*"Freer Trade in Europe," 32 pp., including charts and tables. (H.M.S.O., 2 s.)



vary their tariffs with countries outside, so that Britain could still give Commonwealth countries a preference over countries outside the Free Trade Area.

Britain would hope that the Industrial Free Trade Area would operate through the already existing and efficient mechanism of the OEEC (Organization for European Economic Cooperation). There are, of course, many difficult problems to overcome, and many doubts to settle, before the plan can be put into operation. In explaining its approach to some of these problems, the Government set out frankly, for the British people, the following series of questions and answers. The aim is to stimulate informed discussion of this important concept.

QUESTIONS ON THE FREE TRADE AREA (F.T.A.)

1. Would all O.E.C.C. countries come in?

It would be open to them to do so, and if the negotiations succeed most of them probably will. Some, either because they have infant industries to protect or for other reasons, have said that although they would like to belong they probably could not undertake to reduce their tariffs as fast as the majority. Their position is being considered by a special working party.

2. Would the Free Trade Area have the same sort of arrangements as the E.E.C. for harmonizing social policies, for Investment and Social Funds, and so on?

These are all matters for discussion. But there are three points. First, in the Government's view, the Free Trade Area is primarily aimed at removing restrictions on trade; it is not—like the European Economic Community—a far-reaching plan for economic integration.

Secondly, the six E.E.C. countries and the possible Free Trade Area countries are in a different position. The six countries had to create new institutions, because there were no ready-made ones which covered just the six, except the European Coal and Steel Community which had a limited scope. The Free Trade Area, on the other hand, would have in the O.E.E.C. an organization ready to hand with long experience of organizing economic co-operation in Europe. The Government's view is that the Free Trade Area may well demand closer economic co-operation and the O.E.E.C. is well equipped to provide it. It is, for example, a suitable forum for such matters as the movement of capital and labor. The Government considers it unnecessary to settle the details of economic co-operation in Western Europe over the next ten years before the Free Trade Area comes into being.

Thirdly, on such questions as a fund to provide grants for retaining workers who might lose their jobs, the Government see no need to pool resources in the F.T.A. as in the E.E.C. Big shifts in the pattern of industry are taking place all the time as a result of technical developments, internal competition and changing export markets. The Free Trade Area would add only one more force to those forces which are already bringing about substantial industrial changes. The country has the resources and the Government have the powers to deal adequately with them—for instance, the power to schedule areas as Development Areas.

The biggest safeguard against distress is to maintain full employment. This is the Government's firm intention; and it envisages that all countries joining the F.T.A. would agree to aim at high and stable employment.

3. What safeguards would there be against unfair competition?

There are already provisions in the General Agreement on Tariffs and Trade or rules worked out in O.E.E.C. for such matters as Government subsidies, artificial aids to exports, export controls, certain types of State trading, and freight rate discrimination. These provisions would have to be applied to the F.T.A. and some may need to be strengthened.

The Government have recently introduced an anti-Dumping Bill, and the provision of this Bill could be used, in accordance with G.A.T.T. rules, to counteract subsidized exports from F.T.A. countries. But it may well be that dumping will tend to disappear in a free trade area: it should be possible for dumped goods to be shunted back, free of duty, to their country of origin and the dumper thus undersold in his own home market. But if dumping does persist and cause material harm to British industries the new Bill should be capable of dealing with it.

4. Would the Free Trade Area alter the Government's right to impose taxes for revenue purposes, such as purchase tax and petrol tax?

No. But any "protective element" would have to be eliminated: that is, if the tax on imported articles was higher than that on home-produced articles, the difference, broadly speaking, would have to be removed.

5. Would other import restrictions — import quotas — be abolished as well?

Yes. They do not cover much of West European trade at the moment, but such as there are would be removed.

6. What would happen if a country got into balance of payments difficulties?

The Government consider there should be escape clauses for a country in acute balance of payments difficulties: it should be permitted to put quotas on imports without consultation. But this should be the only instance in which a country is permitted to contract temporarily out of its obligations without advance consultation, and any country doing so should be subject to stringent and frequent examination by the rest.

7. Would the Free Trade Area be only for goods produced in the area? If so, how will goods coming in from outside be dealt with?

It would be for goods originating in the Area only. Goods coming in from outside would present a certain problem, for F.T.A. countries would have different tariffs with the outside world. One might have a lower tariff on cars than the others, for instance, and should not be able to import and ship them to the others without a further tariff being added.

So there has to be a definition of goods which originate in the Area. The O.E.E.C. working party has concluded that the solution lies in a combination of two methods. The first would be to draw up a list of products to be regarded as having originated in the Free Trade Area if they have undergone a defined process within the Area: for instance, cotton cloth woven in the Area from yarn spun in the Area might be accepted automatically

AVERAGE HOURLY EARNINGS, OBLIGATORY SOCIAL CHARGES AND COST OF DAYS OFF WITH PAY IN MANUFACTURING IN EUROPE.*

COUNTRY	AVERAGE HOURLY EARNINGS, 1954		Obligatory social charges expressed as percentage of assessable wages at 1 Jan., 1956	Cost to employers of days off with pay as percentage of wages, 1952-53	Wages plus obligatory social charges plus cost of days off with pay. Indices: U.K.=100
	IN SWISS FRANCS	INDICES U.K.=100			
SWEDEN	3.33	**148**	2.2	6.0	**145**
FINLAND	2.81	**125**	6.0	4.5	**126**
DENMARK	2.67	**118**	7.5	6.5	**123**
NORWAY	2.58	**115**	3.7	6.0	**115**
SWITZERLAND	2.56	**114**	3.9	6.0	**114**
U.K.	2.26	**100**	2.7	6.0	**100**
BELGIUM	1.91	**85**	17.7	11.6	**100**
FRANCE	1.88	**83**	29.8	7.2	**104**
GERMANY	1.74	**77**	11.7	9.8	**85**
IRELAND	1.53	**68**	1.7	4.6	**66**
NETHERLANDS	1.38	**61**	19.0	7.2	**70**
AUSTRIA	1.30	**58**	19.0	10.1	**68**
ITALY	1.22	**55**	53.5	14.2	**83**

*Social Aspects of European Economic Co-operation. I.L.O., Geneva, 1956.

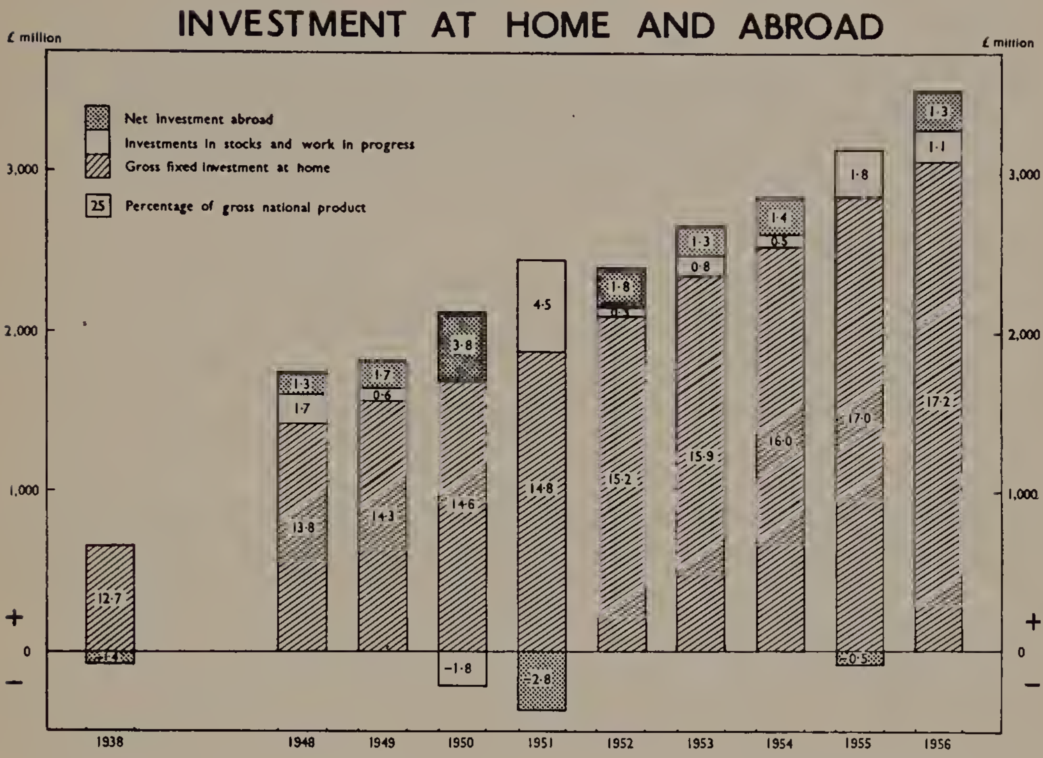
as being of F.T.A. origin. The second would enable all goods to qualify if not less than an agreed percentage of their total value represented the value of F.T.A. materials and workmanship. The Government agree that a combination of these two methods is the most workable arrangement.

8. How would tariffs be brought down?

It is generally agreed that, as in the E.E.C., they would be brought down gradually and that they would disappear altogether after the end of about twelve years. There are, of course, various methods. The British Government have set out the principles they favor. First, each industry should know in advance what will happen to the tariffs both of its own country and other countries, so that it can plan its production and investment ahead. Secondly, so far as possible, tariffs should come down simultaneously in different countries, so that public opinion can see that the arrangements are fair and apply equally. Thirdly, so far as possible, the steps should be fixed in advance.

9. Should overseas territories be included in the Free Trade Area?

This problem came up only when the six countries decided to associate their overseas territories with the E.E.C. (It did not arise from any British proposal for a Free Trade Area, but was a decision of the E.E.C. countries in which Britain had no part.) Britain is consulting with the Commonwealth—both the independent Commonwealth and the Colonies—on the effects of this decision. It will thus be some time before policy can be decided.



INVESTMENT AT HOME AND ABROAD

10. Would British agriculture still be protected?

Yes. The exclusion of foodstuffs from the Free Trade Area, as well as safeguarding our trade with the Commonwealth, would also enable us to continue to protect our own agriculture at home.

11. How do our wage rates in this country compare with those in other European countries?

Figures taken from an I.L.O. study (see chart on p. 112) make the point that when social charges on employers are included in the calculations, the differences between the countries are narrowed considerably.

In the Government's view the relative level of wage rates is only part of the picture. The labor cost of producing an article is decided, not just by the wages paid, but also by the productivity of the employees. Britain, with high productivity, is fully competitive with European countries.

Current Developments: Working groups of the O.E.E.C. have been studying the possibilities of the Free Trade Area proposal for some time, and international negotiations are now pending. It was announced on August 7th that the Prime Minister has appointed Mr. Reginald Maudling, Paymaster-General, to coordinate the work of the Foreign Office, Treasury and Board of Trade on this question, and to be the U.K. representative in discussions.

*Helping the colonies along the path of complete independence and economic progress takes a special form in the West Indies, where a plan for federation is now reaching completion.**

"The West Indies": A New Federation

In the early part of 1958 the first *federal* elections will be held in the British island colonies of the Caribbean. When the Federal Legislature meets subsequently, the Federation—to be called simply: *The West Indies* — will come into being.

The ten colonies uniting together stretch in a graceful arc across some 2000 miles of sea, the two largest units—Jamaica and Trinidad—at each extreme, with Antigua, Barbados, Dominica, Grenada, Montserrat, St Kitts-Nevis-Anguilla, St. Lucia, and St. Vincent strung between them.

The nearly three million peoples of these islands spring from diverse races. The majority are Negro, but here, too, are many East Indians and Chinese; and those of European and mixed origin include descent from the British, the French, the Spanish and the Portuguese. Of the Caribs, original inhabitants of the islands, there are few remaining today.

Added together, the areas of the islands amount to only about 8,000 square miles, somewhat larger than Massachusetts or New Jersey. Most of the islands are mountainous and many are volcanic in origin. All lie within the tropics; the sea moderates the heat and brings abundant rainfall, but they are liable to devasting hurricanes which in recent years have caused considerable damage.

For the most part the economy is agricultural, with an export trade in sugar, rum, bananas, sea island cotton and citrus fruits; but immense bauxite deposits are now being worked in Jamaica, and oil and asphalt have long been exploited in Trinidad. Other secondary industries are being actively encouraged, and the tourist trade is rapidly becoming a more important item in the area's economy.

In the political sphere, self-government has reached different levels in different colonies; but in each island there is a legislature with an elected

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**For earlier articles in this series in British Affairs, see: "The Birth of Ghana"—March 1957, pp. 10-13. "Independence for Malaya"—June 1957, pp. 71-77.*

majority, and in every case there is some form of ministerial system. Each colony has so far been governed independently, and federation is an attempt to put their economies and government on a new footing.

HISTORICAL BACKGROUND

The idea of West Indian Federation is not new. The British Government first tried to federate West Indian colonies in the reign of Queen Anne. In 1705 a federal constitution was enacted for the Leeward Islands, and a federal legislature met at intervals until 1798. The islands renewed their federation in 1871. The federation of the Leeward Islands may have influenced the form of the Constitution of the United States. In 1721 it was suggested by the British Board of Trade as a model for a proposed federation of the American colonies, and possibly Alexander Hamilton, who came from Nevis, had it in mind when he helped to draft the U.S. Constitution in 1787.

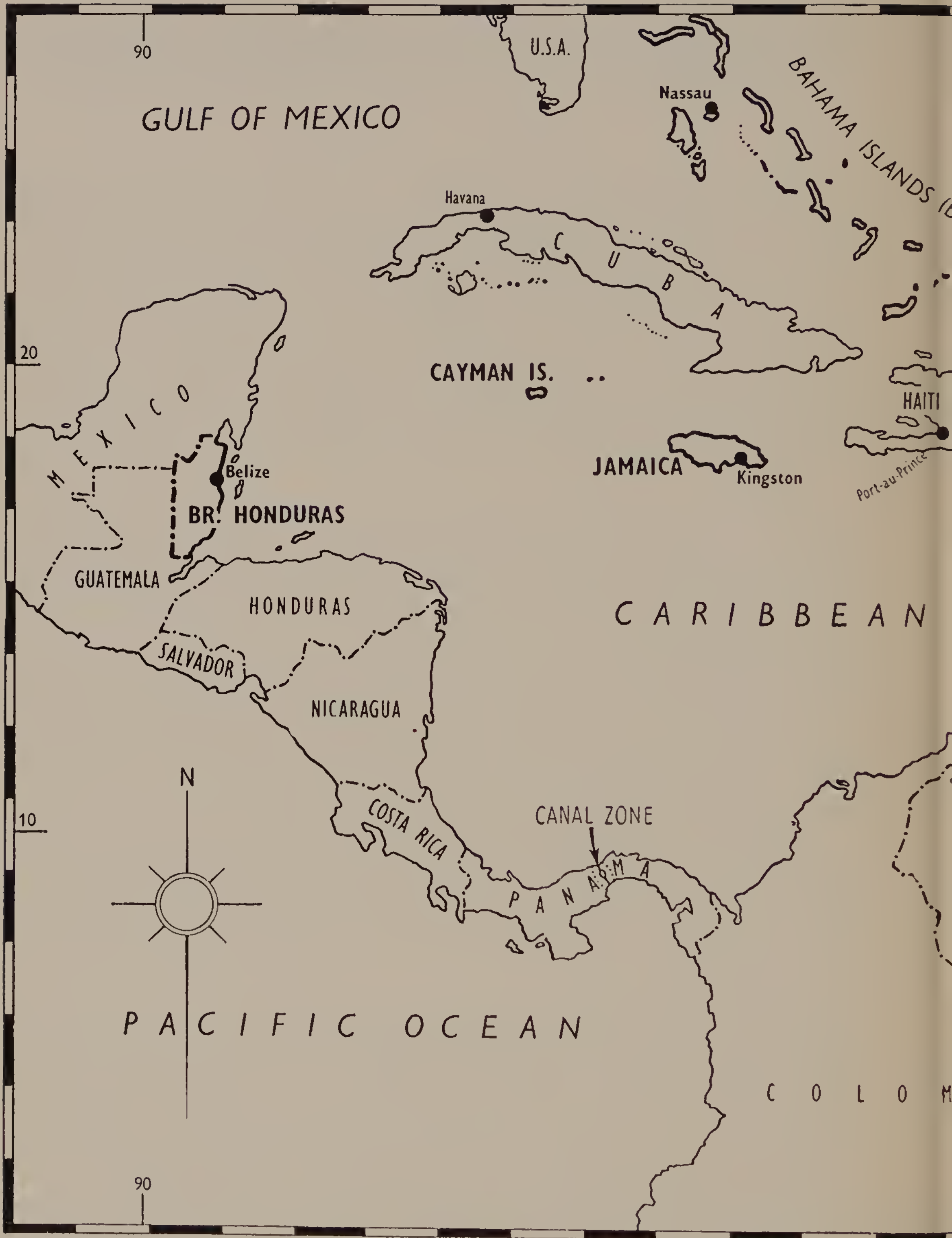
The idea was revived in the earlier years of this century, but no move was made until 1929, when local politicians suggested combining the Leeward and the Windward Islands and Trinidad under a single governor. In 1930 the West Indies Sugar Commission suggested an administrative union of the Leewards and Windwards.

Encouraged by these views, the Secretary of State for the Colonies, after consultations in the area, set up a commission which subsequently recommended a single governor for the Leewards and Windwards, opinion in Trinidad opposing any scheme likely to involve external commitments. Further investigation, however, showed strong differences of opinion in the island groups, and the proposal was dropped.

The Royal Commission which visited the West Indies in 1938 reported that there was still interest in the idea of some form of association, and listed some of the political, administrative and economic benefits that, it was suggested, would follow unification and the standardisation of some government services.

Although no actual steps were taken in this direction during the Second World War, the territories continued their cooperation in such work as the Imperial College of Tropical Agriculture in Trinidad and the Barbados Sugar Cane Breeding Station. In addition a Development and Welfare Organization was set up in 1940 to assist the allocation of funds provided by the United Kingdom under the Colonial Development and Welfare Acts and in the preparation of individual development plans.

The Organisation has played a large part in influencing West Indians to approach problems on a regional basis, by convening conferences on a variety of subjects from communications to labor organisation, from



90
U.S.A.
Nassau
BAHAMA ISLANDS (B
GULF OF MEXICO
Havana
CUBA
20
MEXICO
CAYMAN IS.
HAITI
Belize
JAMAICA
Kingston
Port-au-Prince
BR. HONDURAS
GUATEMALA
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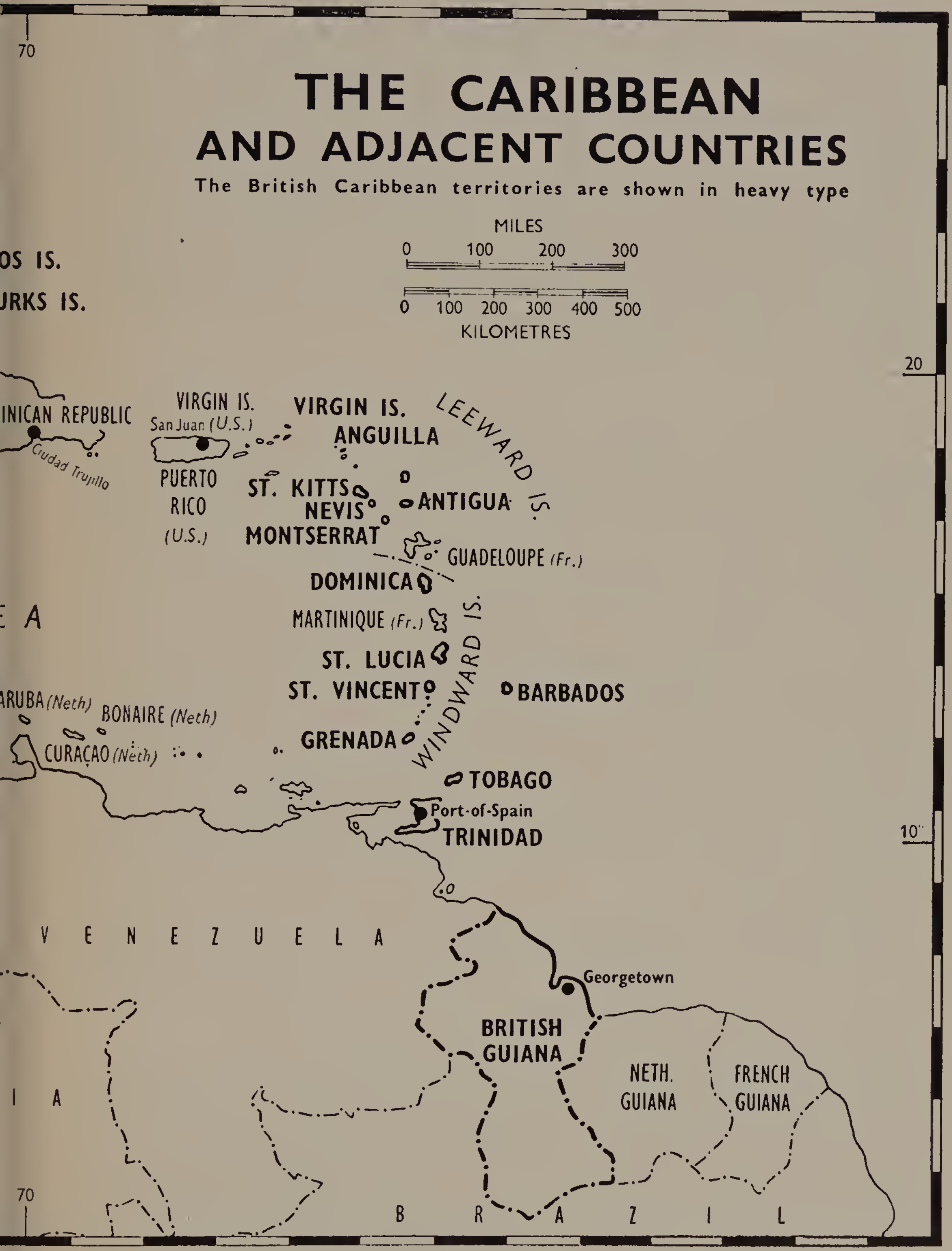
THE CARIBBEAN
AND ADJACENT COUNTRIES
The British Caribbean territories are shown in heavy type
MILES
0
100
200
300
0
100
200
300
400
500
KILOMETRES
70
20
10°
70
OS IS.
JRKS IS.
INICAN REPUBLIC
Ciudad Trujillo
VIRGIN IS.
San Juan (U.S.)
PUERTO
RICO
(U.S.)
VIRGIN IS.
ANGUILLA
LEEWARD IS.
ST. KITTS
NEVIS
ANTIGUA
MONTSERRAT
GUADELOUPE (Fr.)
DOMINICA
MARTINIQUE (Fr.)
ST. LUCIA
ST. VINCENT
BARBADOS
WINDWARD IS.
GRENADA
E A
ARUBA (Neth)
BONAIRE (Neth)
CURAÇAO (Neth)
TOBAGO
Port-of-Spain
TRINIDAD
V E N E Z U E L A
Georgetown
BRITISH
GUIANA
NETH.
GUIANA
FRENCH
GUIANA
I A
B R A Z I L

TRADE OF THE BRITISH WEST INDIES 1955*

(£ million)

	U.K.	*U.S.A.*	*Others*	*Total*
Imports (c.i.f.) from	61	21	71	153
Exports (f.o.b.) to	55	10	66	131

**Includes British Guiana and British Honduras which will not form part of the proposed Federation.*

broadcasting to tourism. A similar contribution has been made through the work of the Caribbean Commission which grew out of a war-time Anglo-American organisation and now includes also representatives from the French and Dutch territories in the area.

POST-WAR DEVELOPMENTS

The forthcoming realisation of federation is nevertheless a post-war development. In 1945 the Secretary of State for the Colonies reopened the question by stating the U.K. Government's view that any movement for political unity must come from within the area but that U.K. policy was to foster a sense of unity there. It has in fact taken an immense amount of patient labor to carry the idea forward into fruition.

First came preliminary discussions in the various legislatures. By 1947, the U.K. Secretary of State could suggest that public opinion in the area was now ready to discuss concrete forms of federation. It had become realized that a community comprising the West Indies as a whole could carry through a policy and develop a life of its own which the separate communities could not achieve in isolation. Accordingly a conference was called at Montego Bay, Jamaica, attended by representatives from all the colonies, including the mainland territories of British Guiana and British Honduras.

The result of this conference, at which all except the representatives from British Guiana accepted in principle the aim of federation, was the setting up of the Standing Closer Association Committee to consider a constitution, a judiciary and the financing of federal services.

The Conference also recommended the appointment of a Commission to examine the prospects of forming a customs union; the appointment of a small committee to report on matters of common economic concern; the immediate establishment of an organisation of primary producers to accelerate agricultural development on a sound economic basis; the inauguration in Britain of a British Caribbean Trade Commission Service; and the formation of a British Caribbean Shipping Committee, to insure adequate provision of shipping services and other communications.

The S.C.A. Committee held a number of meetings in various islands during the next two years and finally issued its report in 1949, submitting detailed proposals for a federal constitution. These were accepted in principle after more than two years of discussion by the legislatures of the territories now federating, but were rejected by British Guiana, British Honduras, and the Virgin Islands.

In the meantime the reports of the Public Services Commission and the Customs Union Commission were published in 1950 and 1951; and in 1950 a unified system of decimal currency was introduced.

THE LONDON CONFERENCES

In February 1952, the Secretary of State for the Colonies informed all the area Governments concerned that he was willing to hold a conference in London at which delegates could discuss outstanding details and points of difference between them and the United Kingdom Government, arising from the Standing Committee Report. The Conference eventually met in April 1953. In the main it approved the Standing Committee's proposed constitution which followed the Australian pattern in that the Federal Government would have only those powers specifically given to it. In addition the continuing financial assistance to be given by the United Kingdom was discussed and agreed upon.

Once more the plan was debated by the local legislatures, and approved, so that by early 1955 it was possible to appoint a Commissioner to start off the administrative work necessary for the new federal organisation. Commissions were appointed to work out the fiscal, judicial and civil service arrangements; and with the publication of their reports at the end of the year the way was clear for a final conference to endorse the arrangements for federation. This was held in London in February 1956.

Later in the year an enabling Bill was passed in the United Kingdom Parliament and an Order-in-Council embodying the constitution has recently been made.

THE FEDERAL CONSTITUTION

The forthcoming elections will send to a House of Representatives 45 members, the numbers from each territory varying with its size. There will be a second chamber, the Senate, whose members — two from each territory except Montserrat which will have only one — will be appointed by the Governor-General.

Executive power will be exercised by a Council of State consisting of a Prime Minister, elected by the House, seven Ministers nominated by the Prime Minister from either House and three members of the Senate also nominated by the Prime Minister. In addition three officials nominated by the Governor-General may attend the meetings of the Council and take part in its discussions. Defense, foreign affairs, and currency are subjects reserved to the Governor-General.

The United Kingdom will continue to make available funds under the Colonial Development and Welfare Acts and also a special grant of up to £1 million towards the cost of establishing the federal capital in Trinidad. In addition during the next ten years responsibility will continue to be borne for any budget deficits in individual territories, and special assistance will be considered in the event of natural disasters such as hurricanes.

Thus the United Kingdom will contribute substantially to this new venture in the ever-changing Commonwealth, and the West Indies will take collectively another step towards complete independence.

INDEPENDENCE FOR MALAYA

On August 31st., 1957, the Federation of Malaya achieved its independence, to become the tenth member of the Commonwealth.

The background is described in an article in the June issue (pp. 70-77) of *British Affairs,* entitled: "Independence for Malaya." Two booklets are available free from B.I.S. giving fuller information:

Malayan Record, illustrated, 40 pp.

This profusely illustrated booklet records the recovery of Malaya from the ravages of war and terrorism and shows the immense strides that have been made in the development of the economy and in the fields of education and health.

Malaya — The Making of a Nation, 67 pp.

After a short introduction summarizing facts about the land and the people, the booklet deals at length with the economic development, the progress in the social services and the constitutional steps leading to independence. There are in addition statistics on labor, population and external trade.

Britain is concentrating on aircraft research not only for civil use but for the very important role that manned aircraft must still play in any future defense system.

Future For Military Aircraft

Mr. Aubrey Jones, Minister of Supply, on the occasion of the opening of a $30m. wind tunnel at the Royal Aircraft Establishment at Bedford on June 27, 1957 spoke briefly about the future of the aircraft industry in Britain.

He suggested that some people might be asking whether, in the light of the Defense White Paper,* all the expensive aerodynamics research facilities were still necessary, or whether they were an example of misdirected investment. Explaining their continuing purpose he said:

"This country cannot afford to withdraw from the struggle for air superiority. Not only is air superiority an essential element in military strength. It is also an important element in industrial strength.

"Technically it is one of our most progressive industries; and as such it has had a tremendous influence in bringing other industries along in its wake. It has brought into being new metals and alloys, new plastics and new finishes; through the gas-turbine engine it has brought into being new sources of power for ground applications and the pursuit of lightness has been of immense significance for the whole of the engineering industry.

"In short, the aircraft industry has had a great fertilizing effect. Its contribution in this respect is not yet exhausted, and it would not be an exaggeration to say that we shall have difficulty in keeping in the forefront of general engineering unless we keep in the forefront of aeronautical engineering.

"But now there can be no question of our remaining in the forefront . . . unless we maintain the momentum of research. The fact that certain manned aircraft projects have been abandoned is in this context utterly irrelevant. To discontinue general research there or to stop it at an arbitrary point — to decide not to continue beyond certain speeds, for instance — would mean that sooner or later we should be unable to progress further, whether on manned or unmanned aircraft, and we should fall far behind other countries. This is unthinkable. Research then must go on and to enable it to go on these facilities are indispensable.

"Apart from this general thought, I wonder whether the implications of the White Paper have not been a little exaggerated. What after all did it say?

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*See *British Affairs*, June 1957, pp. 49-55, especially, p. 54, where the cut-back in manned aircraft is discussed.

Britain's Aircraft Industry

	1938	*1954*	*1955*	*1956*
Output of aircraft* (number)	—	388	555	687
Value of exports of aircraft (£ mn)	2.5	31.4	39.7	71.8
of which to U.S.A.	—	0.3	3.0	17.2
Export of aircraft engines (£mn)	1.2	20.9	22.3	27.9

*Excludes military aircraft not for export.

That in two roles, close defense fighting and strategic bombing, the manned aircraft was giving way to the unmanned missile. But there are other roles — reconnaissance, transport, defense at the distant horizon, tactical bombing in limited war — for these there is still a place for manned aircraft.

"Besides, let it not be forgotten that the manned aircraft has one great advantage over the unmanned — it is infinitely more flexible. To be able to deal with the uncertainties of war we shall still need the manned machine. In short, we need continued research into manned as well as unmanned flight, and for both, these facilities are indispensable."

Referring to the immense expenditure incurred in providing facilities, nearly £30 million in all, Mr. Jones continued:

"Placed as we are, there is a limit to the amount of this investment which we can afford. We cannot, for instance, afford to duplicate it for defense and for civil purposes.

"I hope, therefore, that these facilities will serve both — the supersonic civil aircraft, for instance, as well as military missiles and aircraft. I hope similarly that the aircraft industry will call on the facilities as they think fit; that is what the facilities are for."

MARSHALL SCHOLARSHIPS

British Government Awards for American Graduates

The awards are made to United States citizens only, men or women, who have graduated from accredited colleges or universities in the United States. They are tenable at any university in the United Kingdom, for two years in the first instance, with a possible extension to three years. Twelve awards are made every year, and places are found in the United Kingdom universities.

The value of each award is £550 a year, with an extra £200 a year for married men, plus the expenses of return travel to Britain.

Applications for the academic year 1958-9 must be received **not later than October 31, 1957.**

For information, write to B.I.S., Education Section.

British industry is forging ahead into new fields of technological discovery and application. This is particularly pronounced in the development of new materials, as this round-up shows.

Industry's New Materials — Chemicals of the 1960's

by

The Scientific Correspondent of the "Financial Times"*

Industry is now developing new materials at the rate of over one hundred a year. Most of these new materials are merely variants of already well-known industrial materials, such as steel, aluminum, polyethylene, silicones, or asbestos; others are either relatively or entirely new materials to the industrialist, such as zirconium, niobium, polypropylene-based plastics, magnetic inks, or gallium—likely to be of growing importance in electronics.

Yet other materials which are well known and in some cases even widely used in some industries are likely within the next few years to have been translated into major materials for quite other industries. Examples are aluminum for use in place of copper for the manufacture of electrical transformers, titanium and rigid polyvinyl chloride in place of stainless steel in chemical plants, or, alternatively, zirconium or titanium where high temperatures are involved. The hitherto relatively rare metal niobium—primarily in demand almost solely during the post-war years for defense purposes—is now about to become a structural material for more general industrial use, and the metal beryllium is likely soon, despite its poisonous nature, to be translated from a material in great demand for nuclear power development into being cheap enough for general industrial use.

In the case of beryllium, however, the nuclear power demand seems likely to be first felt in Britain, and the United Kingdom may well find itself therefore in a position to use this material industrially before other countries. In the same way, zirconium is now just beginning to become available in the U.S. as a material for use in the construction of industrial plant as the result of the creation of a basic market for this material for atomic energy purposes.

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While the demand for new materials for special industries, such as atomic energy or defense, can create a bulk requirement market for them which never previously existed, making them available at a relatively (compared with their earlier cost) cheap price, by no means all the new materials made available are readily accepted.

SPECIAL DEMAND SHORT-LIVED

This is especially the case where the basic special-purpose demand dies out too quickly for the general industrial market to become aware of the material's potential usefulness and availability. For example, titanium production is currently in difficulties owing to the unexpectedly early decrease in military demand for aircraft construction, despite its considerable potential promise for use in the construction of chemical plant and for many engineering applications—even when its high cost of $2½ to $3 a pound is taken into account. Only 4 per cent. of all titanium produced in the U.S. in 1956 was used for non-military purposes.

A number of well-known but relatively "small demand" materials are now likely, as the result of recent technological and research developments, to become materials in demand for bulk supply. Examples here are asbestos, borax, polyvinyl chloride, thorium, silicon and germanium.

Asbestos has recently been the subject of a large production expansion programme (as part of which one company alone has recently spent £1m.) because of the growing importance of certain kinds of asbestos materials as radiation-absorbing compounds in atomic energy.

Borax is now in growing demand in two new fields of industry, atomic energy (where boron is used in the manufacture of reactor control rods) and guided missiles and jet aircraft, where boron compounds—such as diborane and pentaborane—are being developed on a large scale as fuels for rocket motors. Diborane is also being investigated as a Ziegler-type catalyst for use in chemical plants. The demand for polyvinyl chloride in its rigid form is also increasing and will continue to grow rapidly thanks to its new uses as a strong, corrosion-resistant piping and container-making material for chemical plant.

Some of these metals have already been mentioned, like zirconium, which in alloy form no longer is merely of interest as an atomic energy material.

Niobium, likewise, is in the throes of rapid price reduction and it is ex-

WHAT SOME BRITISH COMPANIES ARE DOING

	MATERIAL	USES
Associated Electrical Industries	Germanium and silicon.	Defense, electronics and electrical industries.
Borax Consolidated	Borax chemicals, diborane and pentaborane, lithium.	Chemical and pharmaceutical industries, rocket fuels, nuclear research and development.
General Electric Company	Silicon, germanium, bismuth telluride, new powder alloys for magnets.	Defense, electronics and electrical industries.
Imperial Chemical Industries	Titanium, polytetrafluorethylene, zirconium, special alloys.	Defense, chemical engineering, engineering electronics and atomic energy industries.
Johnson Matthey	Special catalysts, special metals, electrode materials.	Chemical, metals, defense and atomic energy industries.
Mond Nickel	Nodular graphite cast iron, selenium and tellurium.	Engineering, electronics, iron and steel industries.
Monsanto Chemicals	Irradiated plastics, toughened plastics, new petrochemicals.	Plastics, engineering chemical engineering and chemical industries.
Morgan Crucible	Cermets, special ceramics.	Defense, engineering and chemical industries.
Shell Chemicals	Ziegler low-pressure process polyethylene, epoxy resins.	Plastics, electrical, chemical and engineering industries.
Tube Investments	Zirconium, niobium, beryllium, irradiated plastics.	Defense, atomic energy, chemical and engineering industries.

pected that a new extraction and production process, now being developed to a commercial stage, will lead to a sizeable price reduction. The current price for columbite concentrate (the miners' name for niobium) is between £600 and £700 a ton. Recent research has indicated that the atomic energy market, although important as a future user of pure niobium metal for the canning of nuclear fuels, is only likely to account for about 60 to 100 tons of the pure metal a year. However, the world demand for niobium for use in new types of stainless steel alloys is likely to approach 1,000 tons a year by 1960.

New processes other than the blast furnace for the production of steel are also being investigated and have reached a stage where at least one new alternative process — the Wiberg-Söderfors process — actually involves a lower net expenditure than the best blast furnace practice using comparable ore. The future development of the U.K. Cyclosteel process likewise has important future potentialities.

In the case of iron itself, new kinds of nodular-graphite, or bendable, cast-iron are perhaps the most important future industrial materials. Other metals of potential future importance are vanadium (as lightweight metal alloys), hafnium (as a structural material for high temperature use), lithium (as a rocket fuel, a raw material for thermo-nuclear power and a brazing compound), and magnesium—as a basis for novel high-temperature-resistant greases, helping to produce a new series of easy-to-make refractories and as a structural material in the form of new alloys.

NEW PLASTICS

In chemicals, an increased number of new materials are also being developed and will become commercially available in increasing quantities during the next few years. Outstanding examples are the plastics based on polypropylene and the polycarbonates, while new types of urethane rubbers are also being developed rapidly both in Europe and the United States.

A series of new metal-filled plastics designed for use as structural materials (as distinct from liquid metal repair materials) are also being developed, while combined plastic and metal-bonded materials are being increasingly improved in quality. The low-temperature catalytic Ziegler process for polyethylene production has now reached the production stage. The radiation processing of plastics will also begin to yield its first dividends in the form of new high-strength flexible plastic materials within the next three years.

NEW CERAMICS AND CERMETS

Some of the most revolutionary new materials are, however, those now being developed in the field of ceramics and cermets. The latter are composite metal and ceramic materials, which possess many of the the best qualities of both ceramics and metals. One of the most novel new ceramic materials is a glass-based material called Pyroceram, which is as light as aluminum, harder and more corrosion resistant than steel, stronger in terms of tensile strength than bronze (even at very high temperatures) and which will withstand temperatures of the order of 2,200 degrees Fahrenheit (or higher temperatures than steel will) without becoming deformed.

Britain's coal mining industry completed its first decade of public ownership in 1956. Despite its early difficulties, the industry is now set fair on its course as Britain's major energy producer.

Progress in Britain's Coal Industry

Coal mining in Britain was the first major heavy industry to be taken into public ownership after World War II. The National Coal Board inherited on January 1st. 1947 an industry which was not only a complex of large and small. and profitable and unprofitable mines, but one which like most others in Britain had run down its capital equipment during the war years.

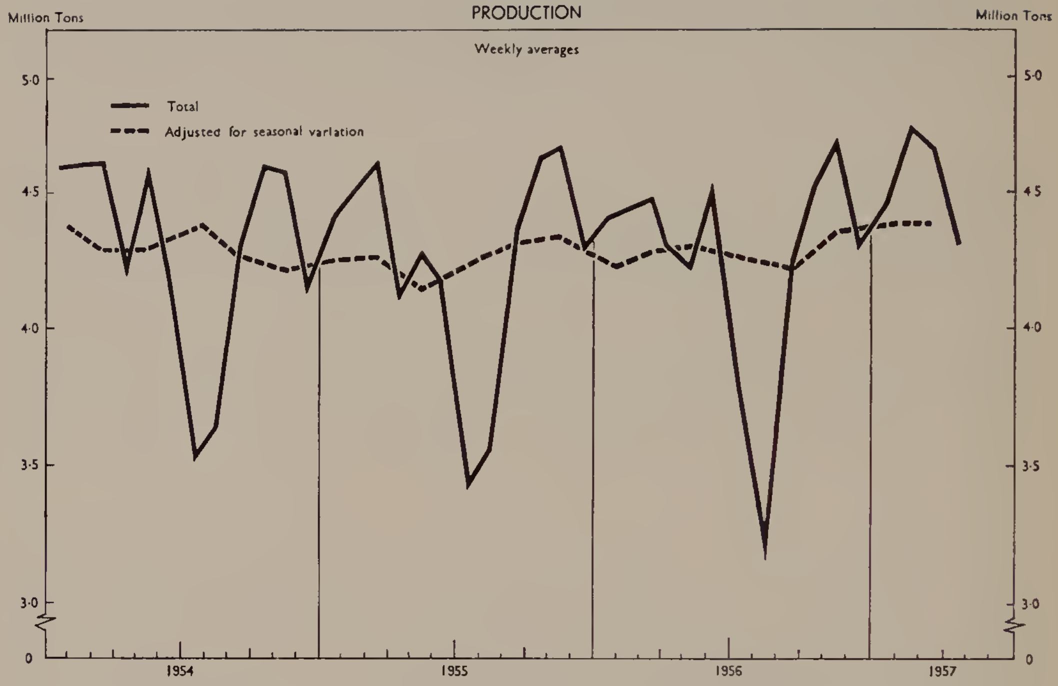
It faced therefore an uphill task. for demand for coal was high both at home and abroad, and in the prevailing full employment there was difficulty in attracting new workers to take the place of those who retired. Capital too was not available freely: British industry as a whole had to share the nation's investment resources, and the nationalized coal industry, along with privately and other publicly controlled industries. had to restrict its re-equipment and expansion programs.

PRODUCTION RISES

Yet output rose and with it productivity. In 1956, production was some 17 per cent above 1946 — the last full year before nationalization. There was a steady rise each year from 1947 to 1952 in deep-mined output: since then there have been only small changes. Output per man rose from 262 tons in 1947 to 298 tons in 1956. Productivity per manshift (all workers) rose from 1.074 tons in 1947 to 1.232 tons in 1956.

The future aims of the industry were set out first in *Plan for Coal*, published in 1950. The revised plan. published in 1956 and entitled *Investing in Coal*. provides for an output in 1965 of 240 million tons (1956, 220 million tons) rising to 250 million tons in 1970. The estimated capital expenditure during the period 1950 to 1965 is £1,350 million. From 1947 to 1956 capital expenditure amounted to £558 million of which £171 million was spent on major colliery schemes. Of the latter figure £41 million was spent in 1956 alone. when major works in progress numbered 162 of which 31 were large new collieries.

The Coal Board's Annual Report for 1956 takes the opportunity to



COAL
PRODUCTION

describe developments over the ten years since nationalization, and some of these facts are summarized here.

The total length of boreholes drilled to obtain specimens of coal seams rose from 30,000 feet in 1947 to 272,000 feet in 1955 declining to 220,000 in 1956.

Great progress has also been made in coal-cleaning. In 1956 nearly 60% of the coal reaching the market was mechanically cleaned, 19% was sold untreated mainly to power stations.

Throughout the decade the cost of producing coal steadily rose from 37s.11d. per ton in the first quarter of 1947 to 76s.4d in the last quarter of 1956. A surplus of some £13 million was earned during 1956 reducing the cumulative deficit on the Board's operations to £23.8 million. During the year the Minister of Fuel and Power made final payments for assets vested in the Board on nationalization. The total compensation paid to former colliery owner was approximately £388 million.

PROCESSING

Since nationalisation the coke ovens under the Board's control have regularly made a profit and output has steadily risen. In 1956 production has risen by 1.2 million tons on the 1947 figure of a little under 6 million tons. Over 95% of the country's foundry coke is now manufactured by the Board.

The Board are also the largest single producers of crude benzole in the country with production of 28 million gallons in 1956, over 2 million gallons more than the previous year. Crude tar output also increased considerably by some 25% between 1947 and 1956 and the proportion distilled increased during the same period by 50%.

Much of the work at the Coal Research Establishment was directed to research on the manufacture of domestic smokeless fuels whilst during the year the Board took over responsibility for experiments on obtaining gas from coal by underground gasification and subsequently using the gas to generate electricity. It is hoped that a pilot system will be in operation by the end of 1958.

DEMAND AND DISTRIBUTION

The rapid expansion in the British economy in the past ten years has had its parallel in fuel consumption. In 1956 total inland consumption was equivalent to 254 million tons compared with 201 in 1946 and 189 in 1938. But while the greater part of the increase in Britain's energy requirements have been met by coal the pattern of consumption has changed markedly with more oil being used and additional requirements being met increasingly by gas and electricity.

Between 1946 and 1956 the additional coal used at power stations and carbonisation plants more than accounted for the entire increase in the consumption of coal in Britain.

By encouraging the use of different types and sizes of coal it has been possible to reduce coal imports. Generally there has been a surplus of exports over imports in respect of quantity but a loss has been incurred on occasions through differences in price. Coal is produced at lower cost and sold at lower prices in Britain than in other European countries and is also cheaper than American coal delivered at European ports. Sold at world prices, therefore, British coal fetches a premium amounting to approximately 25s. per ton in 1956. On the other hand imported coal is sold at the same prices in Britain as domestic coal and consequently incurs a loss which in 1956 was 65s.7d. per ton.

MECHANICAL PROGRESS

During the past ten years great efforts have been made to increase the mechanization of coal production. About 4 million tons of coal were power-loaded in 1946 and by steady progress this figure had been increased to over 25 million tons in 1955. In 1956 a special drive resulted in an extension of the use of power-loaders with the result that over 36

COAL STATISTICS 1947-1956

	1947	*1950*	*1955*	*1956*
Output (mn. long tons)				
Deep mined	186.5	204.1	210.2	209.9
Open-cast	10.2	12.2	11.4	12.1
Total	196.7	216.3	221.6	222.0
Manpower (thous.)				
Faceworkers	288	288	289	286
Other workers	423	409	415	417
Total	711	697	704	703
Productivity				
Tons per manshift (all workers)	1.074	1.194	1.225	1.232
Tons per manyear	262	293	299	298

million tons were obtained by this method during the year, over 15% of the total output.

Improved methods of strata control have been introduced and much study is being given to tunnelling since it is proposed to drive some 3,000 miles of tunnels in the next 15 years. Rope haulage has gradually been replaced by conveyors and locomotives and mechanical handling of tubs is being progressively introduced.

New mining techniques have been accompanied by a steady reduction in the number of serious accidents and constant experiment is carried out to cut down the use of conventional explosives by using water pressure and high pressure blasting. The draining of firedamp from strata around and between coal seams is now an established practice. Dust suppression measures—an essential safeguard against pneumoconiosis—were applied on about 66% of the total length of coal faces and natural conditions on a further 32% obviated the need.

THE MEN IN THE INDUSTRY

Throughout the period the average manpower in the industry has varied, reaching peaks in 1948 and 1952. The proportion of faceworkers has remained fairly constant, at around 41%, whilst the numbers on the surface have steadily decreased from 23% to 20%.

To maintain the industry's labor force and to attract young people into mining the conditions of service have been made progressively comparable with the best that other industries have to offer. Adult wage rates of the lowest paid grades have increased by 78% since 1947, whilst the average weekly earnings of all adult workers have risen from £8.16.7 in October 1948 to £16.1.9 in October 1956 compared with £6.17.11 to £11.17.11 in manufacturing industry generally.

During the ten years, the five day week has been introduced and a second week's paid holiday has been given. By the end of 1956 over 80% of those eligible had joined the Mineworkers Pension Scheme.

During 1947-56 average attendance was highest in 1951 and reached its lowest in 1956, absence showing a marked upward trend since the beginning of 1955. For the past three years the percentage of absence among faceworkers alone has been 14.36 in 1954, 14.70 in 1955 and 15.18 in 1956. An average increase in attendance of 2% could mean an increase in output of about 4 million tons of coal a year. Unofficial stoppages and restrictions increased in 1956 to the highest figure since nationalization causing an estimated loss in output of over 2 million tons.

HEALTH AND WELFARE

By 1956 the quantity of pithead baths had increased by nearly 60% since 1947 and the cost was borne wholly by the Board. Bathing facilities were then available for over 90% of all workers. At the same time canteen facilities have been much improved.

The Board's efforts to reduce the hazards of mining have met with some success. The total number of men killed and injured in reportable accidents fell steadily during the period from 612 and 2,438 respectively in 1947 to 318 and 1,731 in 1956.

Before nationalization there were few full time doctors employed in the industry and only 11 collieries had first aid centers. By 1956 there were 311 medical centers and 77 doctors and 330 nursing sisters were employed full time. At the smaller pits there are medical units where skilled first aid can be given.

Pneumoconiosis is the major health problem of the industry. In 1956 the Board approved a scheme for the periodic X-ray examination of all mineworkers and this is likely to become established generally in 1958.

Nystagmus, an eye complaint which was once prevalent in the industry, has now been almost eradicated as a result of improved lighting.

NON-INDUSTRIAL STAFF

The Board's non-industrial staff has gradually increased since 1947 and will continue to grow to some extent; but the Board are satisfied that they will "earn their keep." The benefits to be secured by fewer accidents, better health, more education and training and better personnel management cannot be directly valued in terms of money; but the Board believes that staff increase for these and similar purposes is fully justified.

Cutting through the complexities of much protective legislation, a new Act aims at restoring equity to the rental position.

Aims and Methods of the New Rent Act

With the passing of the Rent Act earlier this year a start was made in the process of re-creating a free market in accommodation in Britain.

At present over 5 million, or about a third, of the dwellings in Britain are let unfurnished at rents controlled by various enactments dating back many years. (See *L.I.B.* March 1956). The two primary objects of the Rent Act which came into force July 6th are to release from control one group of such dwellings, estimated at one in seven, and to permit limited increases in rent, where justified, for the remainder, over 4 million in number. It is hoped too that many owner-occupied dwellings which hitherto the owners have not felt it economic to let, will as a result of the Act now come on to the market for renting.

Provision is made in the Act for protecting tenants from immediate notices to quit and from immediate increases in rent by a time-table enacted for such purposes. Thus the transition should be gradual and avoid general hardship and a sharp rise in the cost of living. Power is also given the Minister of Housing to release further houses from decontrol in the future without the necessity of enacting further legislation. By this means and through the working of the Act itself it is hoped that a completely free market will develop in the years ahead.

The basis for the division of houses and apartments into those remaining under control and those released is the rateable value. Taxes are paid to local authorities in Britain on the assessed value of property for rental purposes (gross value) less a reduction for repairs, etc. The result of this calculation is called rateable value.

DWELLINGS DECONTROLLED

The Rent Act releases from control

(1) All dwellings in the London Metropolitan Area (extending approximately to a radius of 15 miles from the center of London) and in Scotland with a rateable value of over £40 and elsewhere in England and Wales (the

Act does not apply to Northern Ireland) those with a rateable value over £30;
(2) All owner-occupied houses.
(3) All other privately owned houses when let in the future to new tenants except a widow or other member of a family succeeding in the event of the death of the present tenant.

Where a rented dwelling is released from control, the tenant is protected by a standstill period of eighteen months lasting until October 6, 1958, during which time his tenure is secure and no increase in rent can be made. In addition the landlord must give six months notice which cannot take effect before the end of the standstill period. New agreements on higher rents can however be made during this period provided that they are of a duration of at least three years.

A further protection for tenants is provided by making it an offense during the next three years for the landlord to charge a premium or to demand excessive payments for furniture and fittings in return for a new agreement. Another protection is that advance payments of rent are limited to a week where the tenancy is on a weekly basis, and similarly for longer periods; but in no case can they exceed 6 months rent.

INCREASE IN RENTS

Where houses are below the limits enabling decontrol, the Act permits increases in rent to figures ranging from 1⅓ to 2⅓ the gross value depending on whether the landlord or the tenant is responsible for repairs, internal and external.* Additional charges may be made for other services provided. If the landlord is responsible for payment of the local rates, these too may be added to the rent chargeable; and if improvements are made, there may be a further increase of 8% (annually) of their cost.

However, to prevent immediate increases, three months notice must be given and the amount of increase may not exceed 7s. 6d. for the following six months even though a higher figure would still be within the maximum permitted. Tenants are already protected by earlier legislation from notices to quit, and they may resist increases in rent if the house is in disrepair. In addition, for houses in what have been designated as slum-clearance not in any case exceed 6 months rent.

The Act does not interfere with security of tenure or with rents in tenancy agreements which do not expire before the various prescribed dates. Thus a tenant holding a lease running into 1959 cannot have notice served on him to quit by October 6, 1958, nor can rent be increased from October 6, 1957, unless the agreement itself allows such an increase.

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*In England and Wales. There are differences in Scotland.

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Books and Articles

Taxation in the United Kingdom by the Harvard Law School (Little, Brown and Company, Boston, 1957, 534 pages. $15.00)

Any new approach to the complicated subject of taxation is to be welcomed. This book, which forms one of the World Tax Series by the Harvard Law School, seeks to achieve two basic goals: to describe the tax system in its own legal and administrative terms and to present each system so that it can be compared, point by point, with others. Part I gives a description of the tax system. Part II analyses the income tax. Part III explains the profits tax and purchase tax.

The effect of this arrangement is not only to give a comprehensive account of British taxation but to simplify reference. Yet the book deals with all the confusing aspects of British taxation such as withholding of tax at source, the technique whereby corporate earnings are freed from double taxation, and the combined effects of income and profits taxes upon dividend policy. It also analyzes the treatment of capital gains, which are not usually subject to tax.

The complicated rules governing taxation of new or terminating businesses are fully treated with examples of tax computations. Specimen tax forms, a bibliography, tables of cases and statutes, and an index complete this veritable tax encyclopedia.

* * * * *

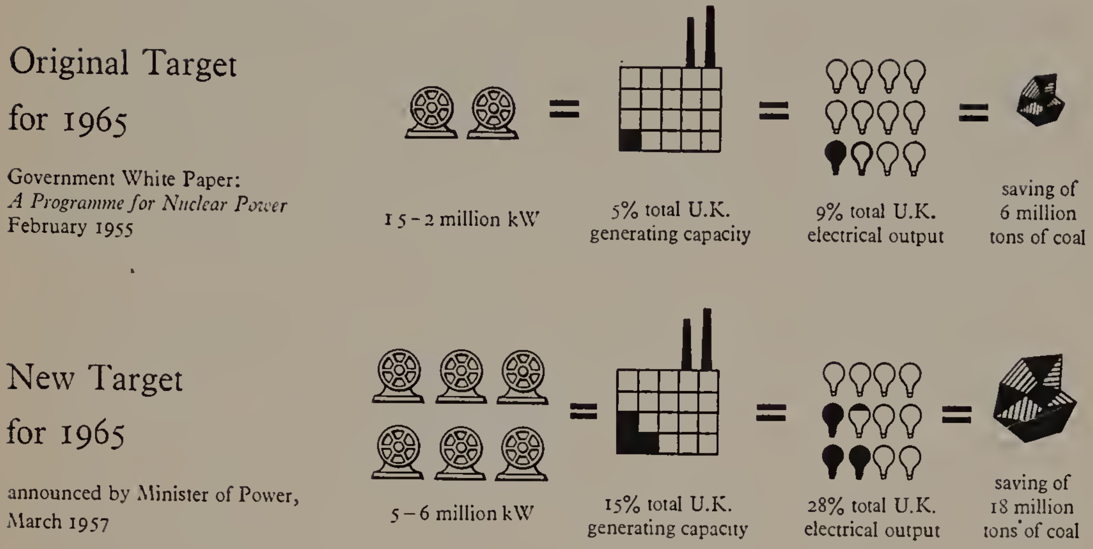
"Atom 1957": Published for the U.K. Atomic Energy Authority by H.M.S.O. (1957, 24 pp. 1s 6d.; or 24 cents from B.I.S. Sales Section).

This booklet, illustrated with numerous photographs and charts, claims to be no more than an illustrated summary of the Third Annual Report of the United Kingdom Atomic Energy Authority, covering the period April 1956—March 1957; but it provides, in fact, a very interesting popular explanation of many aspects of atomic energy, as well as a clear account of the remarkably varied work that is now being carried forward in Britain.

The introductory section refers, naturally, to the dramatic ceremony of October 17th 1956, when the Queen formally opened the Calder Hall power station. At Calder Hall, electricity is being distributed from a full-scale nuclear power station to a national distribution system for the first time in the world.*

It is on the basis of the successful working of Calder Hall and of the other pioneer research and technological work undertaken in Britain that the Government was able to announce, in March 1957, the tripling of the original

A CHART FROM "ATOM 1957"



1955 nuclear power program. Under this new program, nuclear power stations with a total output capacity of between 5 and 6 million kilowatts will be in operation by 1956. The revised program will cost an additional £750 million up to 1965.**

In a section entitled: *The Way Ahead,* the booklet discusses briefly the various research and development programs on which the A.E.A. is engaged, including the fast-breeder reactor at Dounreay (due to start operation in 1958), ship propulsion, and controlled thermo-nuclear reaction. There is also a discussion of Britain's cooperation in the field of atomic energy with other countries; a listing, in chart form, of all the A.E.A.'s reactors; and a bibliography of books and films.

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*See "Atomic Power for Britain" in *Labor and Industry in Britain,* Dec. 1956, pp. 162-175.
**See "Britain's New Nuclear Power Program" in *British Affairs, June,* 1957, pp. 66-69.

* * * * *

An Economic Geography of the Commonwealth by the Economist Intelligence Unit (Blackie & Son Ltd., 1957, 296 pp. with photographs and maps, 18s.6d)

This book—commissioned by the Federation of Commonwealth and Empire Chambers of Commerce—presents an overall picture of the economic resources of the Commonwealth, including both independent countries and colonies. It is divided into two parts, the first dealing with the Commonwealth as a whole, and the second with individual territories.

The book begins by outlining the growth and development of the Commonwealth, after which the disparities of population and the problems arising from this are discussed. In writing of the effects of migration, the obvious examples of such countries as Canada and Australia are supplemented by the lesser known ones of Fiji, Mauritius and Trinidad.

In subsequent chapters there are accounts of the Commonwealth's food supplies, raw materials and industries; and the first part concludes with a summary of the sea and air (and to a lesser extent, land) communications that link the widespread territories and thus are relevant to their common interest in defense.

The individual surveys of the lands of the Commonwealth in the second part range in length from a couple of paragraphs for the smallest territories to ten or more pages for the more highly developed.

In each simple sketch, the geography and climate are set forth, and the agriculture and industries described. Notes on towns and ports of importance are also given.

The maps showing, for the majority of territories, the principal agricultural and mining areas and other industries, together with the principal towns, are useful additions. There is a comprehensive index.

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These Are the British by Drew Middleton (Knopf, 1957, 290 pp. $4.50).

Mr. Drew Middleton, chief of the New York Times Bureau in London, has distilled in this book his long and deep experience of Britain, going back to an earlier assignment there when he covered the *Blitz* in 1940. Standing back from his daily reporting of the British scene, he has set out to assess the long-term significance of the many basic changes in Britain's economic and political position, and in her way of life. He has succeeded triumphantly; for his book not only provides a fascinating account of how Britain "ticks"— full of delightful anecdotes to illumine the working of her institutions and the character of her people — but breaks new ground in analyzing the real issues that every American must face in assessing Britain as her major ally.

Mr. Middleton puts the questions bluntly. How far has Britain lost her former economic and political dominance? What kind of society is emerging? How should one assess Britain's new relations with her changing Commonwealth, Western Europe, the Soviet-dominated world and the United States? Far from soft-pedalling the changes which have taken place, he examines them in detail, probing beneath the surface to reveal influences which have still not fully worked themselves out.

The picture which finally emerges is one of unbounded confidence in Britain's future. The ordinary visitor may still enjoy the picturesque background of "Merrie England"— stately halls, thatched cottages, and a quiet, unhurried people; but it is the spirit of progress and enterprise in the industrial areas — rarely visited by the visitor — which provide the real assurances:

"For this is the Great Britain that is not satisfied with the past or the present, that dreams great and necessary dreams of the industrial uses of atomic energy, that strives to expand the three great groups of industry: metals and metal-using, textiles, and chemicals. It is the combination of this Britain and the character of the old England that provides a basis for faith."

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